Report

of the

Examination of

Regent Insurance Company

Sun Prairie, Wisconsin

As of December 31, 2000

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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January 23, 2002

Honorable Alfred W. Gross
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Honorable Connie L. O'Connell
Commissioner of Insurance
State of Wisconsin
121 East Wilson Street
Madison, WI 53702

Commissioners:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

REGENT INSURANCE COMPANY
Sun Prairie, WI

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of the company was conducted in 1996 as of December 31, 1995. The current examination covered the intervening period ending December 31, 2000, and included a review of such 2001 transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of the company's operations, and included the following areas:

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Employees' Welfare and Pension Plans
Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The section of this report titled "Summary of Examination Results" contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

Independent actuaries were engaged under a contract with the Office of the Commissioner of Insurance. They reviewed the adequacy of the company's loss reserves and loss adjustment expense reserves. The results of their work were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuaries' conclusion.

II. HISTORY AND PLAN OF OPERATION

Regent Insurance Company (hereinafter also “Regent” or the “company”) was incorporated under its present name pursuant to the laws of the state of Wisconsin on January 22, 1963, and commenced business on May 1, 1963. Since its inception, the company has been a wholly owned subsidiary of General Casualty Company of Wisconsin (hereinafter also “General Casualty”). It is customary for its directors and officers to be the same as those of its parent.

At the time of its incorporation, the company’s ultimate parent was Reliance Group Holdings, Inc. On April 30, 1990, Reliance Insurance Company, a subsidiary of Reliance Group Holdings, Inc., sold all of the issued and outstanding shares of General Casualty, Regent’s immediate parent, to Winterthur U.S. Holdings, Inc., a subsidiary of Winterthur Swiss Insurance Company. In September 1990, Winterthur U.S. Holdings, Inc., contributed 15% of the shares of General Casualty to Republic Insurance Company, a Texas-domiciled affiliate.

As of December 31, 2000 Winterthur conducted its operations in the United States through a network of five distinct groups of companies that operate independently of one another. Regent is a member of a holding company subsystem led by General Casualty (hereinafter “General Casualty Group”). The function of the General Casualty Group is to act as Winterthur’s distributor of commercial and personal lines products in the midwestern region of the United States, and to provide insurance on U. S. risks to multinational accounts. Each company in the General Casualty Group has a marketing role, which allows the group the flexibility necessary to offer a diverse range of products and programs. Regent’s primary role is to write preferred risks at preferred rates on the strength of conservative underwriting guidelines. Regent also offers participating dividend plans for its worker’s compensation programs, with rate deviations in jurisdictions where allowed. Additional information concerning the history and present composition of the holding company system headed by Winterthur Swiss Insurance Company, and the holding company subsystem led by General Casualty, is contained in the section of this report titled, “Affiliated Companies.”

As of December 31, 2000, the company’s capitalization included $3,000,000 in the form of 200,000 common shares authorized, issued, and outstanding with a par value of $15 per share, and $650,750 of paid-in and contributed surplus. Changes in the company's capital structure since organization are illustrated as follows:

Year	Number of Shares	Par Value per Share	Capital Paid Up	Surplus Paid In
1963	115,000	$10.00	$1,150,000*	$350,750*
1964	115,000	$10.00	1,150,000	650,750
Mar. 1990	200,000	$10.00	2,000,000	650,750
Dec. 1990	200,000	$15.00	3,000,000	650,750

* - Of the $1,500,750 in proceeds from the issuance of common stock, $1,150,000 was allocated to common capital stock, and $350,750 was allocated to gross paid-in and contributed surplus.

Regent has no employees of its own; most operations are conducted by employees of General Casualty Company of Wisconsin. Winterthur Investment Management Corporation manages the company's investment operations, subject to the supervision of Regent's board of directors. The business practices and internal controls of General Casualty and Winterthur Investment Management Corporation are established by Winterthur U.S. Holdings, Inc.

Virtually all expenses are initially paid by General Casualty. Expenses other than federal taxes and investment management are allocated in accordance with an affiliated pooling reinsurance agreement according to each insurer's participation in premiums and losses. Federal tax allocations are established in accordance with a written consolidated federal income tax agreement. Investment management fees and expenses are paid to Winterthur Investment Management Corporation in accordance with a contract effective December 30, 1998. Intercompany balances with affiliates are created in the ordinary course of business with settlements generally made on a monthly basis. Written agreements with affiliates are further described in the section of this report titled, "Affiliated Companies."

The company conducts its operations jointly with General Casualty through the latter's home office in Sun Prairie, Wisconsin. Additional support services are provided by General Casualty personnel in a network of full-service regional offices and claim service centers in the following cities:

Appleton, Wisconsin	Kansas City, Missouri
Brookfield, Wisconsin	Lincoln, Nebraska
Des Moines, Iowa	Minneapolis, Minnesota
Eau Claire, Wisconsin	Springfield, Illinois
Freeport, Illinois	Sun Prairie, Wisconsin
Indianapolis, Indiana	

All of the company's business is acquired through an independent agency force consisting of 1,196 agencies at the time of this examination. The company uses standard contract forms and commission schedules for most of its sales representatives. In addition, agents are eligible to participate in the profits earned by the company from their production in the form of contingent commissions. Contingent commissions vary from 7.54% to 35% of the profit derived from the agent's production, depending on production volume, productivity, and relationship.

In 2000, the company wrote business in 47 of the 50 jurisdictions in which it was licensed. The distribution of direct premiums written in 2000 by state as follows:

Wisconsin	$116,349,429	44.5%
Illinois	53,421,672	20.4
Minnesota	32,718,758	12.5
Iowa	15,338,479	5.9
Nebraska	9,595,812	3.7
South Dakota	5,544,669	2.1
All Other	28,481,240	10.9
Total	261,450,059	100.0%

As of the examination date, the company was licensed in the District of Columbia, Puerto Rico, and all the states of the United States except New Jersey, and New Mexico.

In the state of Wisconsin, the company is licensed to transact the following lines of business as defined by s. Ins 6.75 (2), Wis. Adm. Code:

(a) Fire, Inland Marine, and Other Property
(b) Ocean Marine
(c) Disability
(d) Liability and Incidental Medical Expense
(e) Automobile and Aircraft
(f) Fidelity
(g) Surety
(k) Worker's Compensation
(n) Miscellaneous

The following table is a comparative summary of direct premiums written in 1995 and 2000, respectively:

Line of Business	1995	2000	Change
Fire	$150,820	$92,614	(38.6)%
Allied lines	169,837	89,124	(47.5)
Homeowner's multiple peril	14,995,277	15,810,800	5.4
Commercial multiple peril	35,923,691	57,898,572	61.2
Inland marine	233,582	444,781	90.4
Earthquake	479	217	(54.7)
Worker's compensation	71,524,947	105,783,080	47.9
Other liability	1,376,685	2,645,151	92.1
Products liability	265,515	448,126	68.8
Auto liability	15,616,981	47,218,093	202.4
Auto physical damage	9,065,866	31,003,074	242.0
Fidelity	14,206	14,692	3.4
Glass	2,026	N/A	(100.0)
Burglary and theft	2,322	1,735	(25.3)
Total All Lines	$149,342,234	$261,450,059	75.1%

The company participates in an affiliated pooling agreement with General Casualty of Wisconsin, General Casualty Company of Illinois, Hoosier Insurance Company, Winterthur International America Insurance Company, and Winterthur International America Underwriters Insurance Company, whereby all of the writings of these companies are combined and reapportioned. This agreement is described in the section of this report captioned, “Reinsurance”.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of nine members. The company's bylaws require three directors to be elected annually, each serving a three-year term. However, the examination noted annual elections for each board member. For additional comment see the section of the report titled "Summary of Current Examination Results". Members of the company's board may also be members of other boards of directors in the Winterthur holding company system. As a matter of customary practice, the membership of the boards of the company and its immediate parent, General Casualty Company of Wisconsin, are identical. The directors receive no compensation specific to their service on the board because all are employees of the holding company system.

At the examination date, the board of directors consisted of the following persons:

Name and Residence	Principal Occupation	Term Expiry
John R. Pollock Maple Bluff, Wisconsin	President and Chief Executive Officer General Casualty Company of Wisconsin	2002
Peter G. McPartland Verona, Wisconsin	Executive Vice President, Operations General Casualty Company of Wisconsin	2002
Raymond L. Gilmore Madison, Wisconsin	Senior Vice President, Information Services General Casualty Company of Wisconsin	2002
Thomas A. Parker Fitchburg, Wisconsin	Senior Vice President, Treasurer, and Chief Financial Officer General Casualty Company of Wisconsin	2002
Anne B. Smith Sun Prairie, Wisconsin	Senior Vice President, Corporate Secretary, and General Counsel General Casualty Company of Wisconsin	2002
Don D. Suominen Madison, Wisconsin	Senior Vice President, Claims General Casualty Company of Wisconsin	2002
William G. Fitzpatrick DeForest, Wisconsin	Vice President, Personal Lines General Casualty Company of Wisconsin	2002
Richard B. Kalina Deforest, Wisconsin	Vice President, Commercial Lines General Casualty Company of Wisconsin	2002
Herman Aaftink The Netherlands	Winterthur Executive Winterthur Swiss Insurance Company	2002

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The following is the only board appointed committee at the time of examination:

Compensation and Benefits Committee

John R. Pollock, Chair
Anne B. Smith
Thomas A. Parker
Don D. Suominen
William G. Fitzpatrick

Officers of the Company

The officers appointed by the board of directors and serving at the time of this examination are listed below. Listed compensation consists of 2000 gross earnings for services rendered to the Winterthur holding company system as a whole. The company pays only an allocated percentage of the overall compensation reported.

		2000 Compensation	
Name	**Office**	**Salary**	**Other Employee Benefits**
Pollock John R	President & Chief Executive Officer	$341,133	$313,071
McPartland Peter G	Executive Vice President-Operations	204,737	120,175
Gilmore Raymond L	Senior Vice President – Info. Services	185,128	120,178
Parker Thomas A	Senior Vice President, Treasurer & Chief Financial Officer	169,805	105,581
Smith Anne B	Senior Vice President, Corporate Secretary, and General Counsel	170,782	106,458
Suominen Don D	Senior Vice President – Claims	170,255	105,833
Fitzpatrick William G	Vice President – Personal Lines	143,471	87,136
Kalina Richard B	Vice President – Commercial Lines	114,969	29,771

IV. AFFILIATED COMPANIES

Regent Insurance Company is a member of a worldwide holding company system controlled by Winterthur Swiss Insurance Company (hereinafter the "Winterthur holding company system").

Winterthur Swiss Insurance Company (hereinafter also "Winterthur Swiss") is the indirect subsidiary of the Credit Suisse Group, a global financial services company that offers a full range of banking and insurance products. Subsidiaries conduct operations in more than 26 countries on five continents. Winterthur Swiss' annual report discloses 84 major subsidiaries worldwide which results are consolidated with that of its own, and 21 investment undertakings in nonconsolidated entities. The group entered the United States in 1936 through the establishment of the United States Branch of Winterthur Swiss. The entire emphasis of the Winterthur holding company system is on insurance and activities incidental to, or in support of, the distribution of insurance.

Winterthur Swiss operates in the United States through five separately managed property and casualty insurance groups. Each of these groups has a geographically defined operating territory. A small amount of business is sometimes written outside the defined territory to provide incidental coverage for an insured or to comply with a state's minimum volume requirement. To facilitate its U.S. operations, Winterthur Swiss established a holding company, Winterthur U.S. Holdings, Inc. (hereinafter also "WUSH"), in 1982 as the direct parent for its U.S. operations. WUSH then acquired or established each of the five insurance groups, which are organized along geographic lines as follows:

Republic Insurance Group (1982)	The South Central States
Southern Guaranty Insurance Group (1988)	The Southeast
General Casualty Group (1990)	The Midwest
Unigard Insurance Group (1992)	The West Coast
Blue Ridge Group (1995)	The Northeast

Regent is a member of a holding company subsystem led by General Casualty Company of Wisconsin. The function of this holding company subsystem, which consists of six insurers, is to distribute commercial and personal lines insurance products in the midwestern region of the United States, and to provide insurance on U.S. risks to multinational accounts.

Due to the sheer enormity and worldwide dispersal of the corporate interests of the Winterthur Swiss Insurance Company, this report will confine its narrative of specific entities to parents in the direct succession of control of Regent, and affiliates with which Regent has significant reinsurance or investment relationships. A chart of the U.S.-based companies within the Winterthur holding company system is presented later in this section of the examination report.

Present Succession of Control

Credit Suisse Group

Credit Suisse Group is a holding company, which is active worldwide in the banking, finance, asset management and insurance industries. Credit Suisse Group is headquartered in Zurich and dates back to 1856. Its registered shares (CSGN) are listed on the SWX Swiss Exchange, and in Frankfurt and Tokyo. They are also traded in New York as an American Depository Receipt (ADR), and in London and Paris. The Group employs around 80,000 staff worldwide and all currency translations are expressed in Swiss francs (Sfr). As of December 31, 2000, the annual review report indicated assets of 987,433 million Sfr ($604,082 million), liabilities of 943,911 million Sfr ($577,457 million), shareholders equity of 43,522 million Sfr ($26,625 million), and net profit of 5,785 million Sfr ($3,539 million), on a consolidated basis.

Winterthur Swiss Insurance Company

Winterthur Swiss Insurance Company was incorporated in Switzerland in 1875. It is a prominent insurer in its own right as well as the ultimate holding company for an extensive and complex network of insurance companies throughout the world. Winterthur Swiss provides catastrophic reinsurance coverage for the General Casualty Group as described in the reinsurance section of this report. The corporation is annually audited by an independent accounting firm in accordance with the provisions of Swiss Accounting and Reporting Recommendations, and all currency translations are expressed in Swiss francs (Sfr). As of December 31, 2000, the audited financial report indicated assets of 13,536 million Sfr ($8,218 million), liabilities of 9,497 million Sfr ($5,810 million), equity of 4,039 million Sfr ($2,471 million), and annual profit after tax of 575 million Sfr ($344,384 thousand), on a consolidated basis, including minority interests.

Winterthur U.S. Holdings, Inc.

Winterthur U.S. Holdings, Inc. (hereinafter also "WUSH"), was incorporated in Delaware in 1982. It functions as the holding company for all U.S.-domiciled companies in the Winterthur holding company system, with 7 direct and 38 indirect subsidiaries, including 26 insurance companies. As of December 31, 2000, on a consolidated GAAP basis, WUSH reported assets of $3,927,406,876, liabilities of $3,195,821,897, shareholder's equity of $731,584,979, and net loss of $(68,496,572). Winterthur U.S. Holdings, Inc., is a direct wholly owned subsidiary of Winterthur Swiss Insurance Company.

General Casualty Company of Wisconsin

General Casualty Company of Wisconsin was incorporated under the laws of the state of Wisconsin on May 12, 1925, and commenced business on May 29, 1925. It has 7 direct subsidiaries, consisting of 5 insurers, including Regent, and two financial service companies. General Casualty writes a diverse range of commercial and personal lines coverages in 45 of the 48 jurisdictions in which it is licensed. Its marketing role is to write standard risks at standard rates. General Casualty has a 60% participation in the affiliated pooling agreement, whereby all business written by the General Casualty Group is combined and reapportioned. The 2000 statutory annual statement reports assets of $1,057,405,513, liabilities of $650,467,661, policyholders' surplus of $406,937,852, and net income of $13,140,960. General Casualty was examined concurrently with Regent as of December 31, 2000, and the results of that examination were expressed in a separate report.

Significant Affiliates

General Casualty Company of Illinois (GCI)

General Casualty Company of Illinois (hereinafter also "GCI") was incorporated under the laws of the state of Illinois on December 14, 1972, and commenced business on January 1, 1973. Although GCI is principally dependent on staff in the employ of General Casualty to run its operations, it owns and maintains a home office in Freeport, Illinois. GCI writes business in 8 of the 28 jurisdictions in which it is licensed. It is the General Casualty Group's lead writer in Illinois, with 80.4% of its direct premiums written in that state. Outside of Illinois, the corporation writes mainly worker's compensation coverage. GCI has a 10% participation in the affiliated pooling agreement, whereby all business written by the General Casualty Group is combined and reapportioned. The 2000 statutory annual statement reports assets of $158,938,190, liabilities of $110,687,133, policyholders' surplus of $48,251,057, and a net income of $501,686. The corporation is a direct wholly owned subsidiary of General Casualty Company of Wisconsin.

Hoosier Insurance Company

Hoosier Insurance Company (hereinafter also "Hoosier") was organized under the laws of the state of Indiana on December 2, 1986, and commenced business on December 31, 1986. General Casualty acquired all of the issued and outstanding common stock of Hoosier from Protective Insurance Company effective October 1, 1995, as part of its overall growth strategy and to provide a stronger presence for the General Casualty Group in the state of Indiana. After acquisition, Hoosier's employees became employees of General Casualty. Hoosier writes direct business exclusively in Indiana, the only state in which it is licensed. Hoosier has a 5% participation in the affiliated pooling agreement, whereby all business written by the General Casualty Group is combined and reapportioned. The 2000 statutory annual statement reports assets of $80,983,677, liabilities of $55,221,518, policyholders' surplus of $25,762,159, and net income of $1,861,551.

Winterthur International America Insurance Company

Winterthur International America Insurance Company (hereinafter also "WIAIC"), formerly known as Vanguard Insurance Company, was organized under the laws of the state of Texas on November 10, 1945, and commenced business on December 31, 1945. WIAIC was a wholly owned subsidiary of Republic Insurance Company until July 1, 1996, when ownership was transferred to General Casualty Company of Wisconsin. It redomiciled to Wisconsin effective January 1, 1997. WIAIC is used by the American Department of Winterthur Swiss' International Division to provide insurance for U.S. risks to multinational accounts on an admitted basis. WIAIC joined the affiliated pooling agreement among members of the General Casualty Group effective January 1, 1997, with a 5% participation, but extensive use is made of reinsurance to limit the volatility of the direct business WIAIC contributes to the pool. The 2000 statutory annual statement reported assets of $91,153,462, liabilities of $56,695,567, policyholders' surplus of $34,457,895, and net income of $1,077,345.

<u>Winterthur International America Underwriters Insurance Company</u>

Winterthur International America Underwriters Insurance Company (hereinafter also "Winterthur Underwriters"), formerly known as Vanguard Underwriters Insurance Company, was organized under the laws of the state of Oklahoma on October 18, 1965, and commenced business on the same date. Winterthur Underwriters was a wholly owned subsidiary of Republic Insurance Company until July 1, 1996, when ownership was transferred to General Casualty Company of Wisconsin. It is licensed in California, Louisiana, Oklahoma, and Texas. Winterthur Underwriters is used by the American Department of Winterthur Swiss' International Division to provide insurance for U.S. risks to multinational accounts on a nonadmitted basis, except in the four states in which it is licensed where it acts as an admitted carrier. Winterthur Underwriters joined the affiliated pooling agreement among members of the General Casualty Group effective January 1, 1997, with a 5% participation, but extensive use is made of reinsurance to limit the volatility of the direct business Winterthur Underwriters contributes to the pool. The 2000 statutory annual statement reported assets of $78,482,260, liabilities of $55,193,342, policyholders' surplus of $23,288,918, and net income of $667,782.

Written Agreements with Affiliates

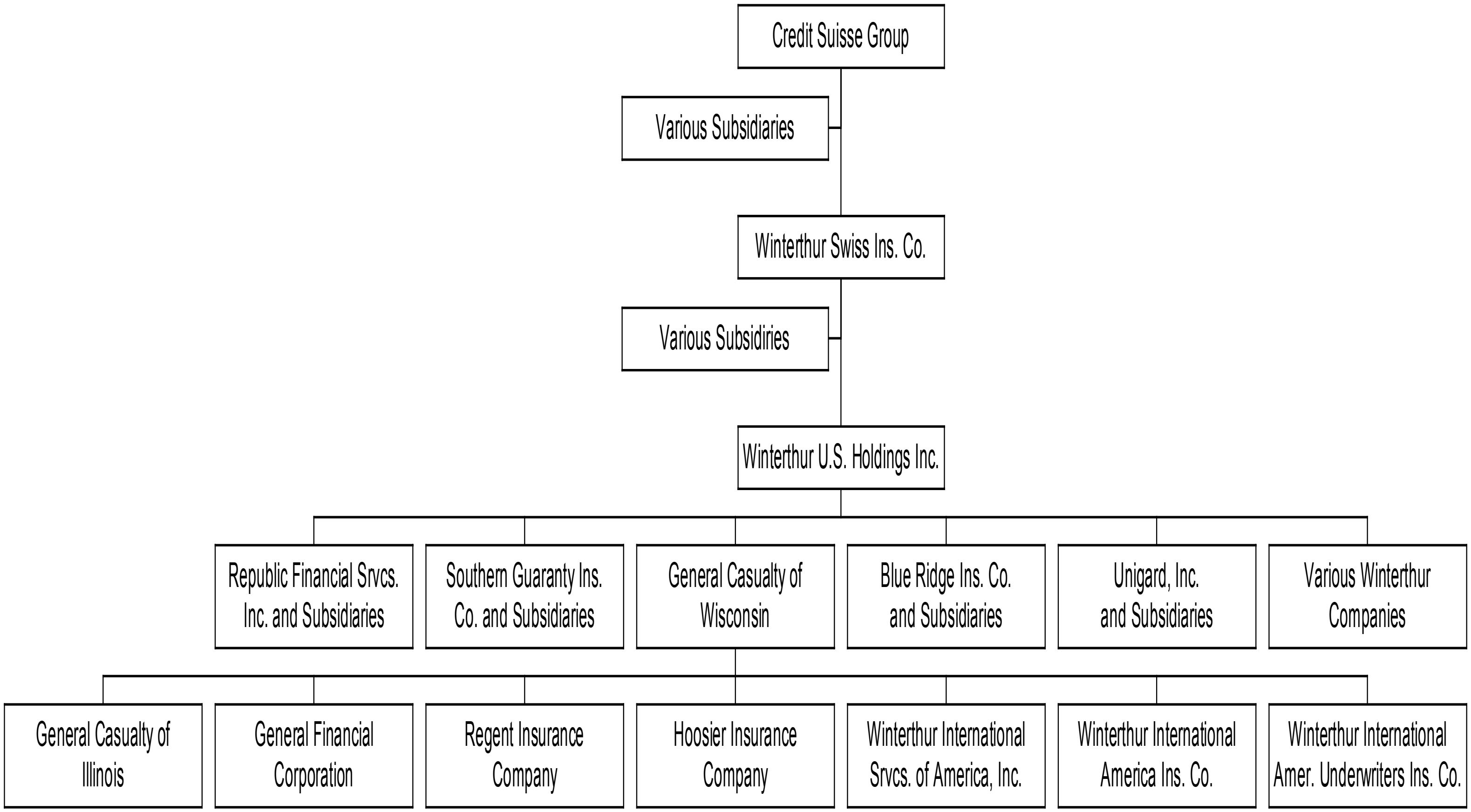
As previously noted, while General Casualty is the primary employer for its holding company subsystem, consequential services are provided by employees of certain other affiliates, including, but not limited to Winterthur Investment Management Corporation. All operations of the General Casualty Group are conducted in accordance with business practices and internal controls established by Winterthur U.S. Holdings, Inc. In addition to common staffing and management control by certain affiliates, General Casualty's relationship to its affiliates is affected by various written agreements. Reinsurance agreements are described in the "Reinsurance" section of this report. A brief summary of the other agreements follows.

Investment Management Agreement

Effective December 30, 1998, General Casualty Company of Wisconsin and its affiliates entered into a service agreement with Winterthur Investment Management Corporation (hereinafter called "WIMCO"). Under this contract, WIMCO agrees to provide investment advisory and administrative services to General Casualty and its subsidiaries in compliance with the respective bylaws and investment guidelines of these companies. General Casualty agrees to pay a quarterly fee in advance based on the historical costs of salaries and other expenses associated with WIMCO's provision of these services. All cost allocations for services rendered under this agreement are to be in accordance with generally accepted accounting principles. General Casualty has the right to audit the books and records of WIMCO, which pertain to the computation of charges for services provided under this agreement. This agreement may be terminated at the end of any calendar quarter by either party giving the other 60 days' prior written notice. During 2000, General Casualty and its subsidiaries paid $350,000 to WIMCO under this contract.

Consolidated Federal Income Tax Agreement

The company is party to a consolidated federal income tax agreement with certain affiliates, whereby it files its federal income tax on a consolidated basis with Winterthur U.S. Holdings, Inc. Under this contract, each party's respective obligation or benefit is calculated on a separate return basis. Payments are due no later than 30 days after Winterthur U.S. Holdings, Inc., files the applicable tax returns with the Internal Revenue Service. Any refunds owed to a participant are to be distributed within 30 days after their receipt from the Internal Revenue Service. Any payment due under this agreement which is not settled within the required 30 days shall accrue interest on the unpaid amounts at a rate equal to the percentage charged by the Internal Revenue Service. Parties to the contract agree to make applicable books and records available for inspection by the others at any time during normal business hours. This agreement was last amended effective January 1, 1997.



Notations:

1. All Subsidiaries are wholly owned.
2. As of July 1, 2001, XL Capital Ltd. and X.L. America, Inc. acquired control of Winterthur International America Insurance Company, a Wisconsin-domiciled stock insurer, as part of a larger acquisition involving the purchase of all businesses or activities carried on by or on behalf of Winterthur Swiss Insurance Company or any other subsidiary of Credit Suisse Group under the “Winterthur International” name. U.S. - based companies involved in the acquisition include: Winterthur International America Insurance Company; Winterthur International America Underwriters Insurance Company; and Winterthur International Services of America, Inc. For additional comment on this issue see the section of this report titled “Subsequent Events.”

V. REINSURANCE

The company participates in a pooling arrangement with all of the insurers in the General Casualty Group. Regent Insurance Company, General Casualty Company of Illinois, Hoosier Insurance Company, Winterthur International America Insurance Company, and Winterthur International America Underwriters Insurance Company cede 100% of their direct premiums, losses, loss adjustment expenses, and underwriting expenses to General Casualty Company of Wisconsin. General Casualty administers all aspects of the pooled business, including placement of reinsurance. The net pooled business is then distributed according to the participations listed below. Income and expenses related to investment operations and corporate taxes, including federal income taxes, are not included in the pooling. The pooling agreement contains a proper insolvency clause.

While each of the insurers in the General Casualty Group, including Regent, are direct co-parties to the ceded reinsurance agreements of General Casualty, a majority of cessions to reinsurers are made on a pooled basis through General Casualty, and all their net retained business is derived from the pool. In addition, pool membership and participation has significantly changed as of July 1, 2001, for additional comment on this change, see the section of this report titled "Subsequent Events". Additional terms of the pool as of December 31, 2000, are outlined below:

Effective: January 1, 1976, continuous, as restated January 1, 1997

Participation:

	12/31/00
General Casualty Company of Wisconsin	60%
Regent Insurance Company	15%
General Casualty Company of Illinois	10%
Hoosier Insurance Company	5%
Winterthur International America Insurance Company	5%
Winterthur International America Underwriters Insurance Company	5%

Lines Covered: All

Items Included: Losses, loss adjustment expenses, underwriting expenses, salvage and subrogation recoveries, and policyholder dividends

Termination: At the end of any treaty year, with 90 days' written notice by any party.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported in the December 31, 2000, annual statement to the Commissioner of Insurance. Also included in this section are schedules which reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."

Regent Insurance Company
Assets
As of December 31, 2000

	Ledger Assets	Nonledger Assets	Nonadmitted Assets	Admitted Assets
Bonds	$197,764,127	$0	$0	$197,764,127
Cash	(1,459,102)			(1,459,102)
Short-term investments	24,210,352			24,210,352
Other invested assets	1,178,304			1,178,304
Agents' balances or uncollected premiums:				
Premiums and agents' balances in course of collection	9,110,317		1,608,417	7,501,900
Premiums, agents' balances, and installments booked but deferred and not yet due	27,478,990			27,478,990
Reinsurance recoverables on loss and adjustment payments	2,349,760			2,349,760
Interest, dividends, and real estate income due and accrued		3,392,640		3,392,640
Total Assets	$260,632,748	$3,392,640	$1,608,417	$262,416,971

Regent Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2000

Losses	$84,187,912
Loss adjustment expenses	18,196,003
Contingent commissions and other similar charges	1,092,834
Other expenses (excluding taxes, licenses, and fees)	3,243,588
Taxes, licenses, and fees (excluding federal and foreign income taxes)	845,749
Federal and foreign income taxes (excluding deferred taxes)	1,750,659
Unearned premiums	45,706,477
Remittances and items not allocated	2,474,030
Excess of statutory over statement reserves	1,539,000
Drafts outstanding	1,225,232
Payable to parent, subsidiaries, and affiliates	6,804,310
Total Liabilities	167,065,794
Common capital stock	3,000,000
Gross paid in and contributed surplus	650,750
Unassigned funds (surplus)	91,700,427
Surplus as Regards Policyholders	95,351,177
Total Liabilities, Surplus, and Other Funds	$262,416,971

Regent Insurance Company
Summary of Operations
For the Year 2000

Underwriting Income	
Premiums earned	$108,024,544
Deductions	
Losses incurred	68,084,480
Loss expenses incurred	13,182,656
Other underwriting expenses incurred	29,830,372
Total underwriting deductions	111,097,508
Net underwriting loss	(3,072,964)
Investment Income	
Net investment income earned	13,224,599
Net realized capital gains or losses	764,731
Net investment gain or loss	13,989,330
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(194,401)
Finance and service charges not included in premiums	353,677
Write-ins for miscellaneous income:	
Other Miscellaneous Expense	(45,404)
Total other income	113,872
Net income before dividends to policyholders and before federal and foreign income taxes	11,030,238
Dividends to policyholders	2,591,767
Net income after dividends to policyholders but before federal and foreign income taxes	8,438,471
Federal and foreign income taxes incurred	4,098,813
Net Income	$4,339,658

Regent Insurance Company
Cash Flow
As of December 31, 2000

Premiums collected net of reinsurance	$108,308,769		
Loss and loss adjustment expenses paid (net of salvage or subrogation)	73,145,083		
Underwriting expenses paid	30,062,778		
Cash from underwriting		$5,100,908	
Investment income (net of investment expense)		13,665,968	
Other income (expenses):			
Agents' balances charged off	(194,401)		
Write-ins for miscellaneous items:			
Service Charge Revenue	353,677		
Other Miscellaneous Expense	(45,403)		
Total other income		113,873	
Deduct:			
Dividends to policyholders paid		2,591,767	
Federal income taxes paid (recovered)		3,955,952	
Net cash from operations			$12,333,030
Proceeds from investments sold, matured, or repaid:			
Bonds	261,978,949		
Net gains or (losses) on cash and short-term investments	6,319		
Total investment proceeds		261,985,268	
Cost of investments acquired (long-term only):			
Bonds	271,067,197		
Total investments acquired		271,067,197	
Net cash from investments			(9,081,930)
Cash provided from financing and miscellaneous sources:			
Net transfers from affiliates	8,755,866		
Other cash provided	1,588,650		
Total		10,344,516	
Net cash from financing and miscellaneous sources			10,344,516
Net change in cash and short-term investments			13,595,616
Reconciliation			
Cash and short-term investments, December 31, 1999			9,155,634
Cash and short-term investments, December 31, 2000			$22,751,250

Regent Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2000

Assets		$262,416,971	
Less liabilities		167,065,794	
Adjusted surplus			$95,351,177
Net premiums written, less dividends to policyholders:			
Individual accident and health	$ -0-		
Factor	15%		
Total		-0-	
Group accident and health	-0-		
Factor	10%		
Total		-0-	
All other insurance	111,011,967		
Factor	20%		
Total		22,202,393	
Compulsory surplus (subject to a minimum of $2 million)			22,202,393
Compulsory surplus excess (or deficit)			$ 73,148,784
Adjusted surplus			$ 95,351,177
Security surplus: (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million with a minimum of 110%)			30,417,279
Security surplus excess (or deficit)			$ 64,933,898

Regent Insurance Company
Reconciliation and Analysis of Surplus
For the Five-Year Period Ending December 31, 2000

The following schedule is a reconciliation of total surplus during the period under examination as reported by the company in its filed annual statements:

	1996	1997	1998	1999	2000
Surplus, beginning of year	$66,729,869	$72,839,536	$77,731,926	$84,235,979	$92,318,623
Net income	7,198,650	5,068,355	8,340,873	4,814,430	4,339,658
Net unrealized capital gains or (losses)	(973,328)	(1,158,464)	(1,004,863)	474,653	(35,330)
Change in nonadmitted assets	17,569	(333,139)	(264,972)	(225,555)	(396,250)
Change in excess of statutory reserves over statement reserves	(564,050)	2,484,126	(749,726)	977,100	(558,000)
Aggregate write-ins for gains and losses in surplus					
Prior Year Federal Income Tax	420,001	475,524	182,741	16,599	(317,524)
Prior Year State Tax Interest	10,825	(1,644,012)		(333,558)	
WC Insurance Pool Refund				2,358,975	
Surplus, end of year	$72,839,536	$77,731,926	$84,235,979	$92,318,623	$95,351,177

Regent Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2000

The following is a summary of NAIC Insurance Regulatory Information System (IRIS) results for the period under examination. There were no exceptional ratios.

	Ratio	1996	1997	1998	1999	2000
#1	Gross Premium to Surplus	304%	303%	314%	338%	393%
#1A	Net Premium to Surplus	88	101	103	107	119
#2	Change in Net Writings	(26)	23	10	14	15
#3	Surplus Aid to Surplus	0	0	0	0	0
#4	Two-Year Overall Operating Ratio	90	89	86	85	88
#5	Investment Yield	7.1	6.8	6.8	6.6	6.4
#6	Change in Surplus	8	5	10	9	4
#7	Liabilities to Liquid Assets	61	64	66	66	69
#8	Agents' Balances to Surplus	8	9	11	9	9
#9	One-Year Reserve Devel. to Surplus	(9)	(3)	(10)	(2)	2
#10	Two-Year Reserve Devel. to Surplus	(10)	(11)	(11)	(13)	(5)
#11	Estimated Current Reserve Def. To Surplus	(3)	(13)	(18)	3	11

Growth of Regent Insurance Company

Year	Admitted Assets	Liabilities	Surplus As Regards Policyholders	Net Income
1996	$177,239,831	$104,400,295	$72,839,536	$7,198,650
1997	200,052,378	122,320,452	77,731,926	5,068,355
1998	224,808,704	140,572,725	84,235,979	9,340,873
1999	235,248,687	142,930,064	92,318,623	4,814,430
2000	262,416,971	167,065,794	95,351,177	4,339,658

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss And LAE Ratio	Expense Ratio	Combined Ratio
1996	$221,660,752	$63,929,271	$69,753,108	70.3%	32.2%	102.5%
1997	235,767,571	78,713,478	76,568,494	71.3	27.3	98.6
1998	264,629,410	86,907,150	81,182,035	68.7	28.3	97.0
1999	311,793,089	98,709,557	94,731,136	69.1	26.8	95.9
2000	375,053,793	113,603,734	108,024,544	75.2	26.3	101.5

The company experienced an underwriting profit in four of the last five years. These traditionally positive underwriting results have contributed to the company's ability to report net income in each of the past ten years and increase surplus during the period. As a result of these surplus increases, the company has been able to increase writings, on both a gross and net basis, without additional capital contributions.

Reconciliation of Policyholders' Surplus

The company reported $95,351,177 in surplus as regards policyholders as of December 31, 2000. The examination resulted in no adjustments or reclassifications.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

The only recommendation noted in the previous report and actions taken by the company are as follows:

1. Special Deposits—It is recommended that, in future filings of the statutory annual statement, the Schedule of Special Deposits correctly distinguish between deposits held for the benefit of all the policyholders and deposits held for more restricted categories of policyholders in accordance with the NAIC's Annual Statement Instructions-Property and Casualty..

   Action—Compliance

Summary of Current Examination Results

Management and Control

The company's current Bylaws note that directors are to be divided into three classes and expiration would alternate between the classes. The examination noted that all directors were currently elected on an annual basis. The company indicated that it was currently attempting to amend its Bylaws to reflect its current election process, but was still researching the compliance issues related to the multiple states in which it conducts business. It is recommended that the company comply with its Bylaws or amend them to reflect current practices and file any such amendment with the commissioner, pursuant to s. 611.12(4), Wis. Stat.

Advance Premium

As of December 31, 2000, the company was incorrectly netting the balance of this liability with Premiums and Agents' Balances in the Course of Collection. According to the NAIC Annual Statement Instructions—Property and Casualty, "Advance premiums result when policies have been processed, and the premium has been paid prior to the effective date. These advance premiums are considered to be fully unearned. This unearned premium reserve is reported in the liabilities, surplus and other funds exhibit of the annual statement. As an alternative, companies may accumulate advance premiums in a suspense account as a separate liability, "advance premiums", on page 3 of the annual statement under aggregate write-ins for liabilities". Using this treatment, companies would not include advance premium in either written premium or the unearned premium reserve."

Codification, which became effective January 1, 2001, changes the reporting and no longer provides the option to include in the unearned premium reserves. According to Statements of Statutory Accounting Principles (SSAP), No. 53, paragraph 13, "…advance premiums are reported as a liability in the statutory financial statement and not considered income until due."

No adjustment to surplus is proposed due to lack of materiality. However, it is recommended that in future annual statements, the company properly report advance premium in accordance with the NAIC Accounting Practices and Procedures Manual.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance to review the adequacy of the company's loss and loss adjustment expense reserves. The independent actuarial firm determined that the company's reserves were adequate and no adjustments were necessary.

In addition, the independent actuarial firm reviewed the report of the opining actuary for qualitative issues, addressing areas of the methodology and assumptions, which are to some extent based on actuarial judgement. The following recommendations were made related to the actuarial report supporting the opinion of the company's appointed actuary:

- It is recommended that the company's appointed actuary include in their actuarial report a comparison of their selected gross loss and loss adjustment expense reserves with the company's carried gross reserves.

- It is recommended that the company's appointed actuary include in their actuarial report the reconciliation of the actuarial data to the company's Schedule P to facilitate regulatory review.

VIII. CONCLUSION

Policyholders' surplus has increased 43%, from $66,729,869 on December 31, 1995, to $95,351,177 as of December 31, 2000. During the same period, premium writings increased by 75% and 31% on a direct and net basis, respectively. The company experienced an underwriting profit in four of the last five years.

While the company is a separate legal entity, it operates as a marketing arm of its parent, General Casualty Company of Wisconsin. Regent has no employees. All of the company's operations are conducted by employees of General Casualty. Furthermore, the results of the company's operations, other than investments, are pooled with certain of its affiliates. The experience of the company relative to net premiums, liabilities, and net underwriting results will follow the experience of the affiliated pool. Therefore, the practices and procedures of General Casualty Company of Wisconsin, which controls the pool, are critical to the operating results of this company.

The examination resulted in four recommendations, none of which were repeated from the previous examination. In addition, no adjustments to policyholders' surplus, or reclassifications in balance sheet line items, thereby indicating accounting and estimation procedures of high quality.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 28- Management and Control—It is recommended that the company comply with its Bylaws or amend them to reflect current practices and file any such amendment with the commissioner, pursuant to s. 611.12(4), Wis. Stat.

2. Page 28- Advance Premium—It is recommended that in future annual statements, the company properly report advance premium in accordance with the NAIC Accounting Practices and Procedures Manual.

3. Page 29- Independent Actuary's Review—It is recommended that the company's appointed actuary include in their actuarial report a comparison of their selected gross loss and loss adjustment expense reserves with the company's carried gross reserves.

4. Page 29- Independent Actuary's Review—It is recommended that the company's appointed actuary include in their actuarial report the reconciliation of the actuarial data to the company's Schedule P to facilitate regulatory review.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Randy Milquet	Data Processing Audit Specialist
DuWayne Kottiwitz	Insurance Financial Examiner
Jean Suchomel	Insurance Financial Examiner
Mark Knievel	Insurance Financial Examiner
Richard Manamba	Insurance Financial Examiner

Respectfully submitted,

Tim Vande Hey
Examiner-in-Charge
Senior Insurance Financial Examiner

XI. APPENDIX—SUBSEQUENT EVENTS

April 2, 2001, ownership and operational control of Blue Ridge Insurance Company, Blue Ridge Indemnity and MassWest Insurance Company were transferred to General Casualty Company of Wisconsin. Transfer of ownership took place as a capital contribution, valued at $41,493,943, by Winterthur U.S. Holdings, Inc. The companies became part of the General Casualty inter-company pooling agreement July 1, 2001. Also on July 1, 2001 by way of dividend, the ownership of Blue Ridge Indemnity and MassWest Insurance Company transferred from Blue Ridge Insurance Company to General Casualty Company of Wisconsin.

Effective July 2, 2001, this office approved the acquisition of Winterthur International America Insurance Company by XL Capital Ltd. and X.L. America, Inc. The transaction was part of a larger acquisition involving the purchase of all businesses or activities carried on by or on behalf of the Winterthur Swiss Insurance Company or any other subsidiary of Credit Suisse Group under the "Winterthur International" name. The companies were depooled from the General Casualty inter-company pooling agreement July 1, 2001. The following table depicts the changes to the pool.

January 1 through June 30, 2001:

Participating Companies	Participation
General Casualty Company of Wisconsin	60%
Regent Insurance Company	15%
General Casualty Company of Illinois	10%
Hoosier Insurance Company	5%
Winterthur International America Insurance Company	5%
Winterthur International America Underwriters Insurance Company	5%

July 1, 2001 and continuing:

Participating Companies	Participation
General Casualty Company of Wisconsin	65.0%
Regent Insurance Company	10.0%
General Casualty Company of Illinois	7.5%
Hoosier Insurance Company	5.0%
Blue Ridge Insurance Company	7.5%
Blue Ridge Indemnity Company	2.5%
MassWest Insurance Company	2.5%